

TENNESSEE HOUSING DEVELOPMENT AGENCY  
BOARD OF DIRECTORS  
March 20, 2003

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, January 16, 2003, at 1:00 P.M. in Room 1116, Parkway Towers, Nashville, Tennessee.

The following members were present: Janice Cunningham for Steve Adams, Bill Bruce, Gerald Reed for Riley Darnell, Peter Abernathy for Dave Goetz, David Hayes (Chairman), Harold Hunter, Ronnie Knight, Mary Margaret Collier for John Morgan, Tom Mottern, Jeff Reynolds, Jerry Sisson (Vice-Chairman), and Caestine Williams.

The following members were absent: Susan Brown, Leigh Ferguson, Carolyn Flagg, John Kalec, Ralph Perrey, Larry Rogers, and Jackie West.

Chairman Hayes called the meeting to order and introduced Mr. Tom Mottern. Mr. Mottern is the CEO at First Century Bank in Tazewell. His background and interest in affordable housing will be an asset to the Board. Chairman Hayes also introduced and welcomed Mr. Bob Cooper, Legal Counsel to the Governor. Mr. Cooper graciously accepted the invitation to attend the Board meeting and although he has not been appointed to the Board, it is anticipated that Governor Bredesen will make that appointment in the near future.

The first item of business was the approval of minutes from the January 16, 2003, meeting. With a motion to approve from Mr. Bruce, and a second by Mr. Knight, the minutes were approved as distributed.

Janice Myrick, Executive Director, presented service awards to staff thanking them for their service. Receiving awards were Rebecca Scott (5 years); Beth Pugh (5 years); Lewis Bridges (5 years); and Frances Henry (10 years).

Ms. Myrick offered congratulations to Chairman Hayes for his appointment to the Fannie Mae National Advisory Board.

The next item on the agenda was the Monthly Report. There were no questions concerning the report.

Chairman Hayes asked for the report from the Bond Finance Committee. Mary Margaret Collier, Director of Bond Finance, reported that the Committee reviewed and recommends approval of Bond Issue 2003-2, and adoption of the accompanying Reimbursement Resolution. Lynn Miller, General Counsel, detailed the documents provided and noted that the form of series resolution for the bond issue will be modified as the bond issuance progresses. Ms. Miller added that the Reimbursement Resolution authorizes the Agency to use up to \$20 million to make mortgage loans, and then be reimbursed from the proceeds of the bond issue. Ms. Miller also noted that the authorization is for a maximum principal amount not to exceed \$75 million and provides for a competitive or negotiated sale. Chairman Hayes called for a motion. Ms. Collier

entered the motion to authorize Bond Issue 2003-2, and Ms. Cunningham offered a second. The motion carried unanimously.

Ms. Collier reported that the previous sale (Bond Issue 2003-1) was sold by negotiated sale. During the retail sales period prior to the final pricing, the Non-AMT Bonds were almost completely sold out. Non-AMT Bonds (over \$8 million) were not reoffered to the institutional market. The sale was extremely successful as the total retail sales were the highest the Agency has ever experienced.

Ms. Collier advised that legislation passed concerning state bonds does not affect the Agency. The Agency already has the right to sale at negotiated sale. The new legislation allows the state to make negotiated sales for a two year period.

On the item of debt management, Ms. Collier stated that the Committee plans to report to the Board at the May meeting.

Chairman Hayes offered the floor to Jerry Sisson, Chairman of the Policy & Programs Committee. Mr. Sisson reported that the Committee reviewed the Agency's loan origination performance and loan portfolio. Staff proposed to increase lender compensation to improve interest in our mortgage program. Mr. Sisson entered, in the form of a motion the Committee recommendation to authorize the Executive Director to establish fees for single-family loans, such as origination fees and discount points, and other fees relative to single-family mortgage loans. Mr. Reynolds offered a second. Chairman Hayes asked if there was any discussion, and he and Mr. Reed discussed the effect of this motion. Ted Fellman, Chief Financial Officer, advised that the Agency expects to increase the number of loan originations by increasing compensation of lenders, but the borrower will pay more; however, the amount will be less than the borrower would pay in another program. Mr. Reed stated that Secretary Darnell reviewed the original proposal and was adamantly opposed to an increase from 1 point to 1½ points. Mr. Reed stated that he would be opposed to a change in fee structure at this time as he feels Mr. Darnell would be opposed to a change without Board approval. Ms. Myrick stated that staff looked back into the recent past and is unsure whether this particular issue has been brought before the Board before. Staff felt that discount point changes might affect yield, thus Board authorization is requested. Mr. Reynolds added that the Policy & Programs Committee's intention is to give staff the ability to examine all compensation and to possibly increase lender compensation or discount points. Chairman Hayes called for a vote on the motion. The motion carried, with Mr. Reed voting no.

The next Policy & Programs item was a review of the acquisition limits that were set at the January meeting. Mr. Sisson reported that the Committee recommends increasing the limit for existing homes in Shelby County from \$113,000 to \$120,000, effective April 1, 2003. Mr. Sisson entered the motion as such. Mr. Reynolds seconded the motion. The motion carried unanimously.

On the item of income limits, Mr. Sisson reported that staff reviewed the income limits issued by HUD. Staff recommendations were reviewed by the Committee. Mr. Sisson entered a motion to adopt staff's proposal to set the income limits at 100% of the applicable median for

1-2 person families and 115% of the applicable median for families of 3 or more persons. The motion also stipulated a review of the income limits each time HUD publishes new limits. It was noted that “the higher of” should be deleted from both parts of Item 1 of staff’s proposal. Mr. Bruce offered a second. Chairman Hayes asked if there was any further discussion. Mr. Reynolds briefly shared that he is uncomfortable with raising income limits, but since this change is authorized for one year, he will not vote against the increase. With no other discussion, Chairman Hayes brought the motion to the table. The motion carried unanimously.

Mr. Sisson reported that the Committee reviewed staff’s recommendation to initiate a direct servicing pilot project. The Agency would service loans currently serviced by three servicers who are unable to convert to electronic reporting. This project would involve approximately 235 loans and could be a first step toward direct servicing of all THDA mortgages. Following the Committee’s recommendation, Mr. Sisson entered a motion to begin the project effective July 1, 2003, and to include loans purchased by those particular servicers until that date. Mr. Knight offered a second. Discussion followed regarding the cost of purchasing these loans, and Mr. Fellman advised that the Agency plans to use Resolution funds to pay a one percent (1%) service release premium on new loans, and one-half percent (½%) premium on existing loans. No service release premium payment would be necessary to purchase delinquent loans. No additional staff or equipment will be needed to facilitate the pilot project, and the Agency should realize a savings of over \$40,000 per year in loan servicing payments. Mr. Fellman advised that the Agency could sell the loans serviced in this project in the future if desired. Mr. Reed said that although the project startup cost is minimal, he was puzzled that the use of Resolution funds was not brought to the Bond Finance Committee. Mr. Fellman responded that the Board has previously given authority for servicing and the Agency presently services multifamily loans. With no further discussion, Chairman Hayes brought the motion to the table. The motion carried unanimously.

Mr. Sisson reported that due to the high level of interest in the 2003 Multifamily Tax-Exempt Bond Authority, the Policy & Programs Committee recommends an increase of \$31 million for the program, to be divided as prescribed by the Plan, until July 2003. The current 2003 allocation is \$50 million, and the Agency has received applications totaling more than \$69 million. Mr. Sisson entered the motion to approve the increase, and allow staff to revise the specific sections of the 2003 Program Description indicating amounts available to the grand divisions. Mr. Reynolds seconded the motion. The motion carried unanimously.

There were no other committee reports.

Ms. Myrick updated the Board on other matters. Ms. Myrick reported that Governor Bredesen did not include any of the Agency’s improvement requests in the budget submitted to the General Assembly. Staff will meet with the Senate State & Local Budget Committee next week, and at that time will ask them to consider adding eight (8) positions back into our budget. Staff will meet with the House Finance Ways & Means Committee on March 27<sup>th</sup>. The Committee has requested information on the Agency’s contracts and audit findings. Most state agencies have been asked to reduce their state funded budgets by nine percent (9%); however, the Agency has not been included in this reduction request.

Ms. Myrick related that State Audit is considering making one of the audit findings a material weakness. Staff are working with State Audit on the finding which relates to the Agency's previous trustee and collateralizing investments. The Agency audit has not been released and Ms. Myrick advised that all findings have been resolved. The report is for the period ending June 30, 2002.

The Agency received an acceptable mark from HUD on their Section 8 Contract Administration report. Ms. Myrick reported that staff are working toward improving this area, but overall the outcome was good.

Ms. Myrick reported that the Agency was specifically mentioned in proposed legislation that would open reserves in order to balance this year's budget. Mr. Reynolds inquired about status of legislation that would increase the mortgage recording tax and dedicating funds to wetlands as it is the same source as the funding for HOUSE program. Ms. Myrick advised that staff will continue to track bills and update the Board on legislation.

Regarding Federal legislation, Ms. Myrick gave Board members a copy of the NCSHA's *Action Alert* and called attention to several items:

H.R. 284 (repeal of the 10-year rule) has a companion bill in the Senate (S. 595). Chairman Hayes, Toni Harris, and Ms. Myrick met with Tennessee's congressional delegates and asked for support of the repeal with a very good outcome.

The President's proposed dividend exclusion plan and its impact on tax credit programs.

HUD's initiative to distribute Section 8 vouchers to states via block grants. Limited information is available on the proposal. The proposal calls for each governor to determine the administering agency of the program. Governor Bredesen has been made aware of the proposal. NCSHA has not taken a position on the legislation.

HOME program \$200 million down payment set-aside. NCSHA is not in favor of the dedicated set-aside.

The National Housing Trust Fund has been introduced and there is concern due to the proposed funding source and allocation of monies.

Chairman Hayes thanked Toni Harris, Director of Communications, for scheduling meetings during the Legislative Conference. Mr. Hayes said that many good contacts were made and it is hopeful that a greater number of attendees will be approved for next year's conference.

Ms. Myrick asked members to let her know as soon as possible if interested in attending the NCSHA Spring Workshop in Atlanta in May. Travel requests must be submitted immediately.

Board members were given an updated calendar of anniversary events and Ms. Myrick encouraged attendance at the lender breakfast in their area. These events are an opportunity to

thank our lending institutions for their business. Ed Lozier, Director of Homeownership, and other staff participated in a large realtor trade show in Knoxville yesterday. The Agency hopes to continue participating in these types of outreach events.

Ms. Myrick reminded attendees of the upcoming Hispanic Homeownership Conference scheduled for April 3 here in Nashville. Mayor Bill Purcell will kick off the conference. Thanks to Don Harris, Gerald Reed, Ralph Perrey, and other co-sponsors for their work in planning this event.

Chairman Hayes offered a special thanks to Mr. Bruce for promoting the Agency's interests to the Legislature, and for his help in the success of 30<sup>th</sup> Anniversary Legislative Event. There were 45 members of the General Assembly at the event.

At this Chairman Hayes recognized Jeff Reynolds. Mr. Reynolds' term expires in July and he will be unable to attend the May meeting. Chairman Hayes offered Mr. Reynolds the best wishes of the Board, and thanked him for his service, both as a member, and also as Executive Director.

There was no further business to come before the Board and the meeting adjourned.

Respectfully submitted,

Janice L. Myrick  
Executive Director

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